
RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012



Postlethwaite
& Netterville

A Professional Accounting Corporation

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RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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Report of Independent Auditors

Board of Trustees
Retirement Plan for Employees
of West Jefferson Medical Center

Report on the Financial Statements

We have audited the accompanying financial statements of the Retirement Plan for Employees of West Jefferson Medical Center (the "Plan"), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2013 and 2012, and the changes in net position held in trust for pension benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5, the schedule of funding progress on page 16, and the schedule of employer contributions on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Postlethwaite & Netterville

Metairie, Louisiana
February 28, 2014

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012

The Management's Discussion and Analysis (MD&A) offers the readers of the Retirement Plan for Employees of West Jefferson Medical Center's ("the Plan") financial statements this narrative overview and analysis of the financial activities of the Plan for the years ended December 31, 2013 and 2012. The information presented herein should be considered in conjunction with the accompanying financial statements and the notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements, which are comprised of the three components:

- Statements of Plan Net Position,
- Statements of Changes in Plan Net Position; and
- Notes to the Financial Statements.

The statements of plan net position report the Plan's assets, liabilities, and resultant net position held in trust for pension benefits. It discloses the financial position of the Plan as of December 31, 2013 and 2012.

The statements of changes in plan net position report the results of the Plan's operations during the years ended December 31, 2013 and 2012, disclosing the additions to and deductions from the plan net position. It supports the change that has occurred to the prior year's net position value on the statements of plan net position.

The notes to the financial statements provide additional information and insight that are essential to gaining a full understanding of the data provided in the statements.

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the Plan's ongoing plan perspective. The notes to the financial statements are followed by two required schedules of historical trend information.

The Schedule of Funding Progress includes historical trend information about the actuarially funded status of the Plan from a long-term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits when due. The Schedule of Employer Contributions presents historical trend information about the annual required contribution of the employer and the contributions made by the employer in relation to the required contributions. These schedules provide information that contributes to understanding the changes over time in the funded status of the Plan.

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012

FINANCIAL ANALYSIS OF THE PLAN – 2013

The Plan's net position increased by \$6,727,775 in 2013, due primarily to the net appreciation of the market value of Plan assets. In 2013, the Plan's employer contribution increased by \$12,901 to \$3,457,582 as compared to \$3,444,681 in 2012. Contribution amounts required to fund the Plan are determined by an independent actuary.

Condensed Statements of Net Position

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Change</u>
Cash and investments	\$ 58,908,736	\$ 52,090,744	\$ 6,817,992	13.1%
Receivables	3,481,611	3,548,593	(66,982)	-1.9%
Total assets	62,390,347	55,639,337	6,751,010	12.1%
Total liabilities	32,719	9,484	23,235	245.0%
Net position	<u>\$ 62,357,628</u>	<u>\$ 55,629,853</u>	<u>\$ 6,727,775</u>	12.1%

The Plan's investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which increased by \$6,817,992 due to investment income and employer contributions which were offset by benefit payments and Plan administrative expenses.

Condensed Statements of Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
Additions:				
Contributions	\$ 3,457,582	\$ 3,444,681	\$ 12,901	0.4%
Net income on investments	8,767,946	4,495,513	4,272,433	95.0%
Total additions	<u>12,225,528</u>	<u>7,940,194</u>	<u>4,285,334</u>	54.0%
Deductions:				
Administrative expenses	223,055	170,011	53,044	31.2%
Benefits	5,274,698	5,004,015	270,683	5.4%
Total deductions	<u>5,497,753</u>	<u>5,174,026</u>	<u>323,727</u>	6.3%
Change in net position	6,727,775	2,766,168	3,961,607	143.2%
Net position, beginning of year	<u>55,629,853</u>	<u>52,863,685</u>	<u>2,766,168</u>	5.2%
Net position, end of year	<u>\$ 62,357,628</u>	<u>\$ 55,629,853</u>	<u>\$ 6,727,775</u>	12.1%

RETIREMENT PLAN FOR EMPLOYEES OF
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL ANALYSIS OF THE PLAN – 2012

The Plan's net position increased by \$2,766,168 in 2012, due primarily to the net appreciation of the market value of Plan assets. In 2012, the Plan's employer contribution increased by \$225,267 to \$3,444,681 as compared to \$3,219,414 in 2011. Contribution amounts required to fund the Plan are determined by an independent actuary.

Condensed Statements of Net Position

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Change</u>
Cash and investments	\$ 52,090,744	\$ 49,626,476	\$ 2,464,268	5.0%
Receivables	3,548,593	3,246,105	302,488	9.3%
Total assets	<u>55,639,337</u>	<u>52,872,581</u>	<u>2,766,756</u>	5.2%
Total liabilities	9,484	8,896	588	6.6%
Net position	<u>\$ 55,629,853</u>	<u>\$ 52,863,685</u>	<u>\$ 2,766,168</u>	5.2%

The Plan's investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which increased by \$2,464,268 due to investment income and employer contributions which were offset by benefit payments and Plan administrative expenses.

Condensed Statements of Changes in Net Position

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
Additions:				
Contributions	\$ 3,444,681	\$ 3,219,414	\$ 225,267	7.0%
Net income on investments	4,495,513	529,288	3,966,225	749.4%
Total additions	<u>7,940,194</u>	<u>3,748,702</u>	<u>4,191,492</u>	111.8%
Deductions:				
Administrative expenses	170,011	114,066	55,945	49.0%
Benefits	5,004,015	4,640,102	363,913	7.8%
Total deductions	<u>5,174,026</u>	<u>4,754,168</u>	<u>419,858</u>	8.8%
Change in net position	2,766,168	(1,005,466)	3,771,634	375.1%
Net position, beginning of year	52,863,685	53,869,151	(1,005,466)	-1.9%
Net position, end of year	<u>\$ 55,629,853</u>	<u>\$ 52,863,685</u>	<u>\$ 2,766,168</u>	5.2%

REQUEST FOR INFORMATION

Questions concerning any of the information provided herein, or requests for additional financial information, should be addressed to Retirement Plan for Employees of West Jefferson Medical Center, 1101 Medical Center Boulevard, Marrero, LA 70072, (504) 347-5511.

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
STATEMENTS OF PLAN NET POSITION
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS:		
Receivables:		
Employer contributions	\$ 3,457,582	\$ 3,444,681
Accrued interest and dividends	24,029	103,912
	<u>3,481,611</u>	<u>3,548,593</u>
Investments (at fair value):		
Fixed income mutual funds	17,266,949	17,405,437
Equity mutual funds	37,442,744	28,495,835
Cash equivalents	4,199,043	6,189,472
	<u>58,908,736</u>	<u>52,090,744</u>
Total investments	<u>58,908,736</u>	<u>52,090,744</u>
Total Assets	<u>62,390,347</u>	<u>55,639,337</u>
LIABILITIES:		
Accounts payable	32,719	9,484
	<u>32,719</u>	<u>9,484</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 62,357,628</u>	<u>\$ 55,629,853</u>

See accompanying notes to financial statements.

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
STATEMENTS OF CHANGES IN PLAN NET POSITION
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ADDITIONS:		
Employer contribution	\$ 3,457,582	\$ 3,444,681
Investment income:		
Net appreciation of investments	7,574,184	3,098,995
Realized gains from sale of investments	376,601	391,331
Dividends and interest income	817,161	1,005,187
Total investment income	8,767,946	4,495,513
Total additions	12,225,528	7,940,194
DEDUCTIONS:		
Benefits	5,274,698	5,004,015
Administrative expenses	223,055	170,011
Total deductions	5,497,753	5,174,026
NET INCREASE	6,727,775	2,766,168
NET POSITION - RESTRICTED FOR PENSION BENEFITS		
BEGINNING OF YEAR	55,629,853	52,863,685
END OF YEAR	\$ 62,357,628	\$ 55,629,853

See accompanying notes to financial statements.

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

1. Plan Description

General

West Jefferson Medical Center operates under the jurisdiction of the Parish Council of Jefferson Parish, Louisiana (the "Parish") as Jefferson Parish Hospital Service District No. 1. A Louisiana Attorney General opinion empowers hospital service districts to create pension plans for officers and employees and to fund the plan with district funds. The Retirement Plan for Employees of West Jefferson Medical Center (the "Plan") is a single-employer, non-contributory, defined public employee retirement system (PERS). The Plan covers certain employees of West Jefferson Medical Center (the Employer) who meet certain length of service requirements and is funded through employer contributions and investment earnings.

Employees or former employees who were not participants in the Plan as of December 31, 2005 are not eligible to participate in the Plan after December 31, 2005. Active participants in the Plan as of December 31, 2005 made a one-time, irrevocable election to either continue as an active participant in the Plan effective January 1, 2006, earning future benefit accruals under the applicable provisions of the Plan, or to instead become a participant effective January 1, 2006 in a Defined Contribution Plan. Any participant of the Plan that elected to participate effective January 1, 2006 in the Defined Contribution Plan would not accrue further benefits under the Plan for service or earnings after December 31, 2005. As a governmental entity, the Plan provides disclosures required by the Governmental Accounting Standards Board (GASB).

Plan Membership

At December 31, the Plan's membership consisted of:

	<u>2013</u>	<u>2012</u>
Active Employees	489	546
Retirees and beneficiaries currently receiving benefits	883	860
Terminated employees entitled to but not yet receiving benefits	<u>626</u>	<u>605</u>
Total plan membership	<u><u>1,998</u></u>	<u><u>2,011</u></u>

Eligibility Requirements

An employee was eligible to participate in the Plan as of the date they had completed one year of service of 1,000 hours or more and attained the age of 21. No new entrants are allowed to participate in the Plan after December 31, 2005.

RETIREMENT PLAN FOR EMPLOYEES OF
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1. Plan Description (continued)

Benefits

Retirement

The Plan provides retirement benefits as well as death and disability benefits. Prior to July 1, 2002, all benefits were fully vested after 10 years of credited service. Effective July 1, 2002, all employees become fully vested after 5 years of credited service. The basic annual retirement benefit at age 65 is a benefit payable for life in an amount equal to the number of years of credited service up to 30 years, multiplied by the sum of (1) 1.2 percent of final average monthly compensation and (2) .65 percent of final average monthly compensation in excess of "covered" compensation, which is defined as the average of the Social Security Taxable Wage Base for the 35-year period ending in the year in which social security normal retirement age is attained. Final average monthly compensation is defined as the monthly compensation of a participant averaged over the 5 consecutive calendar years which produces the highest monthly average within the last 10 calendar years preceding the earlier of retirement or termination of employment. Employees with 10 years of credited service may elect to receive a reduced benefit beginning at age 55.

Deferred and Disability Benefits

A Plan member leaving employment after 10 years of credited service but before attaining retirement age or who ceases active employment because of total and permanent disability after 10 years of credited service but before attaining retirement age is eligible for deferred benefits or may elect to receive reduced benefits beginning on the early retirement date.

Survivor Benefits

The survivor benefit provided under the Plan is a death benefit for a vested participant in the form of a survivor annuity. Such annuity payments are generally equal to 50 percent of the amount which would be payable to the participant if he or she had survived and elected to commence receiving a retirement income at the earliest date allowed under the Plan.

Contributions

The employer is required to contribute amounts necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions.

Plan Termination

The Medical Center has the right under the Plan to discontinue its contributions at any time and to terminate the Plan.

Tax Qualification

The Plan is a tax qualified plan under IRS Code Section 401(a).

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

2. Summary of Significant Accounting and Financial Reporting Policies

The financial statements are presented in accordance with standards established by the Governmental Accounting Standards Board (GASB).

Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding the reported amounts of assets and liabilities and changes in plan net position. Actual results could differ from those estimates.

Employer Contributions

Employer contributions are recognized as revenues in the period in which employee services are performed.

Investments

The assets of the Plan are invested in various fixed income, equity and short-term money market funds managed by a trustee. Investments are carried at fair value as reported by the Trustee. Fair values are determined using quoted market prices, as available.

Dividend income and interest are recognized when earned.

Administrative Expenses

All administrative expenses of the Plan are paid by the Plan.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated Plan Benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service employees have rendered. Accumulated Plan Benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances - retirement, death, disability, and termination of employment are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided from annuity contracts excluded from Plan assets are excluded from Accumulated Plan Benefits.

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

2. Summary of Significant Accounting and Financial Reporting Policies (continued)

Actuarial Present Value of Accumulated Plan Benefits (continued)

The actuarial present value of Accumulated Plan Benefits is determined by an independent actuary and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 2013 and 2012 were (a) life expectancy of participants (1994 Unisex Pension Mortality Table with Scale AA projection to the valuation date), (b) retirement age assumptions, and (c) investment return (utilized an average of seven). The 2013 and 2012 valuations included assumed average rates of return of 8.0%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of Accumulated Plan Benefits.

3. Contributions Required and Contributions Made

The funding policy of the Plan provides for periodic employer contributions at actuarially determined rates that are sufficient to pay benefits when due. The actuarial funding method used to determine the normal cost and the unfunded actuarial accrued liability, amortized over 30 years, for purposes of determining contribution requirements, is the entry age normal cost method. The significant actuarial assumptions underlying the actuarial method used to compute the contribution requirement are the same as those used to compute the pension benefit obligation.

The actuarially determined contribution requirement for 2013, accrued by the Plan, is \$3,457,582. The actual contribution paid by the employer during 2013 relating to the 2012 contribution requirement was \$3,444,681. The 2013 contribution requirement consists of (a) \$441,254 normal cost, (b) \$2,760,211 amortization of the unfunded actuarial accrued liability and (c) \$256,117 net interest cost.

The actuarially determined contribution requirement for 2012, accrued by the Plan, is \$3,444,681. The actual contribution paid by the employer during 2012 relating to the 2011 contribution requirement was \$3,219,414. The 2012 contribution requirement consists of (a) \$581,210 normal cost, (b) \$2,608,309 amortization of the unfunded actuarial accrued liability and (c) \$255,162 net interest cost.

4. Investments

Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems, making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and trust agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. At December 31, 2013 and 2012, the Plan's investments were held by Regions Trust.

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
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4. Investments (continued)

Investments at December 31, 2013 and 2012 consist of the following mutual funds which are stated at fair value.

	<u>2013</u>		<u>2012</u>	
Fixed Income:				
Federated U.S. Government				
Trust Institutional Fund	\$ 9,220,682	*	\$ 9,393,192	*
Vanguard Short-term Treasury Fund	8,046,268	*	8,012,245	*
	<u>17,266,950</u>		<u>17,405,437</u>	
Equity:				
Artisan Sm Cap Value Fund 963 Inv	-		2,357,025	
Amer Cap World Growth & Inc. FD CL R5	5,670,103	*	4,527,355	*
Homestead Small Co Stock FD	1,974,055		-	
Gabelli/Westwood Mighty Mites Fund	1,002,305		-	
Vanguard Institutional Index Fund	18,917,506	*	14,293,595	*
Vanguard Mid Cap Index Fund	9,878,774	*	7,317,860	*
	<u>37,442,743</u>		<u>28,495,835</u>	
Cash equivalents:				
Fidelity Institutional Treasury Portfolio	4,199,043	*	6,189,472	*
	<u>\$ 58,908,736</u>		<u>\$ 52,090,744</u>	

* 5% or more of Plan's investments.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Plan's investment policy limits the maximum maturity for any single fixed income security to 10 years. None of the investments of the Plan have fixed maturity dates.

Credit Risk

State statutes authorize the Plan to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper rated AAA 1, 2, or 3; repurchase agreements; and the Louisiana Asset Management Pool (LAMP). The Plan's investment policy limits the Plan's fixed income investments to treasury bills, money market funds, commercial paper, U.S. government and agency securities, corporate notes and bonds. As of December 31, 2013 and 2012, all fixed income investments were rated AAA by Moody Investor's Services and Fitch. As of December 31, 2013 and 2012, U.S. Treasury Obligations were rated AA+ by Standard & Poor's.

RETIREMENT PLAN FOR EMPLOYEES OF
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4. Investments (continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the investments of the Plan were held in the name of the Plan at December 31, 2013 and 2012.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Plan's investment in a single issuer.

The Plan's investment policy states that the securities of any one company or government agency cannot exceed ten (10) percent of the total fund, and no more than twenty (20) percent of the total fund can be invested in any one industry. With the exception of U.S. Government securities, no fixed income issue may exceed fifteen (15) percent of the market value of the fixed income portfolio.

5. Changes in Accumulated Plan Benefits

The following is a summary of the changes in the actuarial present value of accumulated plan benefits for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Actuarial present value of accumulated plan		
benefits at beginning of year	\$ 88,248,227	\$ 83,151,038
Increase (decrease) attributable to:		
Benefits accumulated, including actuarial gains/losses	2,320,784	2,382,108
Assumed interest from beginning of year	6,852,141	6,454,642
Benefits paid	(5,294,790)	(5,032,845)
Change in assumptions	-	1,293,284
Net Increase	<u>3,878,135</u>	<u>5,097,189</u>
Actuarial present value of accumulated plan		
benefits at end of year	<u>\$ 92,126,362</u>	<u>\$ 88,248,227</u>

6. Change in Actuarial Assumptions

The actuarial present value of accumulated plan benefits is determined by an independent actuary and represents the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment as described in Note 2.

RETIREMENT PLAN FOR EMPLOYEES OF
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6. Change in Actuarial Assumptions (continued)

Effective with the actuarial valuation as of January 1, 2013 for plan year 2013, the mortality assumption was changed from the 1994 Unisex Pension Mortality Table to the 1994 Unisex Pension Mortality Table with Scale AA projection to the valuation date.

7. Funded Status and Funding Progress

The funded status of the Plan as of December 31, 2013 and 2012 was based on the actuarial valuation as follows:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Actuarial Accrued (Prefunded) Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Payroll
1/1/2013	\$60,258,247	\$93,818,018	\$33,559,771	64.2%	\$31,237,839	107.4%
1/1/2014	\$61,110,837	\$96,962,851	\$35,852,014	63.0%	\$28,416,747	126.2%

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The required schedule of funding progress following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additional information for the actuarial valuation is as follows:

Actuarial cost method	Entry age normal
Asset valuation method	7- year smoothing
Actuarial assumptions:	
Investment rate of return	8.0% per annum
Amortization method	Level dollar
Amortization period	30 years remaining (open basis)
Salary increase rate	2.5%

8. New Pronouncements

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans* in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013.

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

8. New Pronouncements (continued)

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, in June 2012. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement--determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014.

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

Management of the Plan is currently assessing the impact GASB Statements No. 67, No. 68 and No. 71 on the financial statements.

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
LAST 10 YEARS

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Actuarial Accrued (Prefunded) Liability (UAAL) (3)-(2) (4)	Funded Ratio (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a Percent of Payroll (4)/(6) (7)
1/1/05	\$ 43,037,992	\$ 56,595,243	\$ 13,557,251	76.0%	\$ 62,387,862	21.7%
1/1/06	45,636,913	57,977,462	12,340,549	78.7%	61,075,105	20.2%
1/1/07	54,538,247 a	62,644,610	8,106,363	87.1%	58,108,577	14.0%
1/1/08	57,248,337	73,017,274 b	15,768,937	78.4%	49,734,574	31.7%
1/1/09	55,077,129 c	76,327,335	21,250,206	72.2%	44,147,514	48.1%
1/1/10	56,706,209 d	82,308,007 e	25,601,798	68.9%	40,586,511	63.1%
1/1/11	56,995,804	85,326,656	28,330,852	66.8%	37,334,047	75.9%
1/1/12	56,789,829	88,502,706	31,712,877	64.2%	33,928,713	93.5%
1/1/13	60,258,247 f	93,818,018 g	33,559,771	64.2%	31,237,839	107.4%
1/1/14	61,110,837	96,962,851	35,852,014	63.0%	28,416,747	126.2%

a Effective with the January 1, 2007 actuarial valuation, the actuarial value of assets is set equal to the market value of assets. The previous actuarial asset method recognized realized and unrealized growth in capital appreciation over 5 years. (This method, if left unchanged, would have produced an actuarial value of assets at January 1, 2007 of \$48,417,361.) The asset method was changed to market value in light of the cost stabilization resulting from recent Plan changes combined with the inherent smoothing resulting from 30-year amortization on an open basis of the year to year UAAL.

b Reflects increase in Actuarial Accrued Liability of \$5,903,534 due to the retirement of 67 participants with enhanced benefits under the Voluntary Retirement Incentive Program (VRIP).

c Effective with the January 1, 2009 actuarial valuation, the actuarial value of assets recognizes the difference between expected and actual total investment return over 3 years.

d Effective with the January 1, 2010 actuarial valuation, the actuarial value of assets recognizes the difference between expected and actual total investment return over 5 years.

e Reflects increase in Actuarial Accrued Liability of \$3,183,717 due to the change in mortality assumption (from UP84 to UP94).

f Effective with the January 1, 2013 actuarial valuation, the actuarial value of assets recognizes the difference between expected and actual total investment return over 7 years.

g Reflects increase in Actuarial Accrued Liability of \$2,774,867 due to the change in mortality assumption (from UP-94 to UP-94 with Scale AA projection to 2013). Additionally, the salary increase assumption was lowered from 3.0% to 2.5% per annum and disability and retirement rates were updated. The net effect of these changes resulted in a \$265,007 decrease in the AAL.

See independent auditors' report.

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 YEARS

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	\$ 2,483,379	100%
2005	2,739,608	100%
2006	2,123,511	100%
2007	1,864,390	100%
2008	2,333,775	100%
2009	2,741,401	100%
2010	3,050,861	100%
2011	3,219,414	100%
2012	3,444,681	100%
2013	3,457,582	100%

See independent auditors' report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
West Jefferson Medical Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Retirement Plan for Employees of West Jefferson Medical Center (the Plan) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated February 28, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
February 28, 2014